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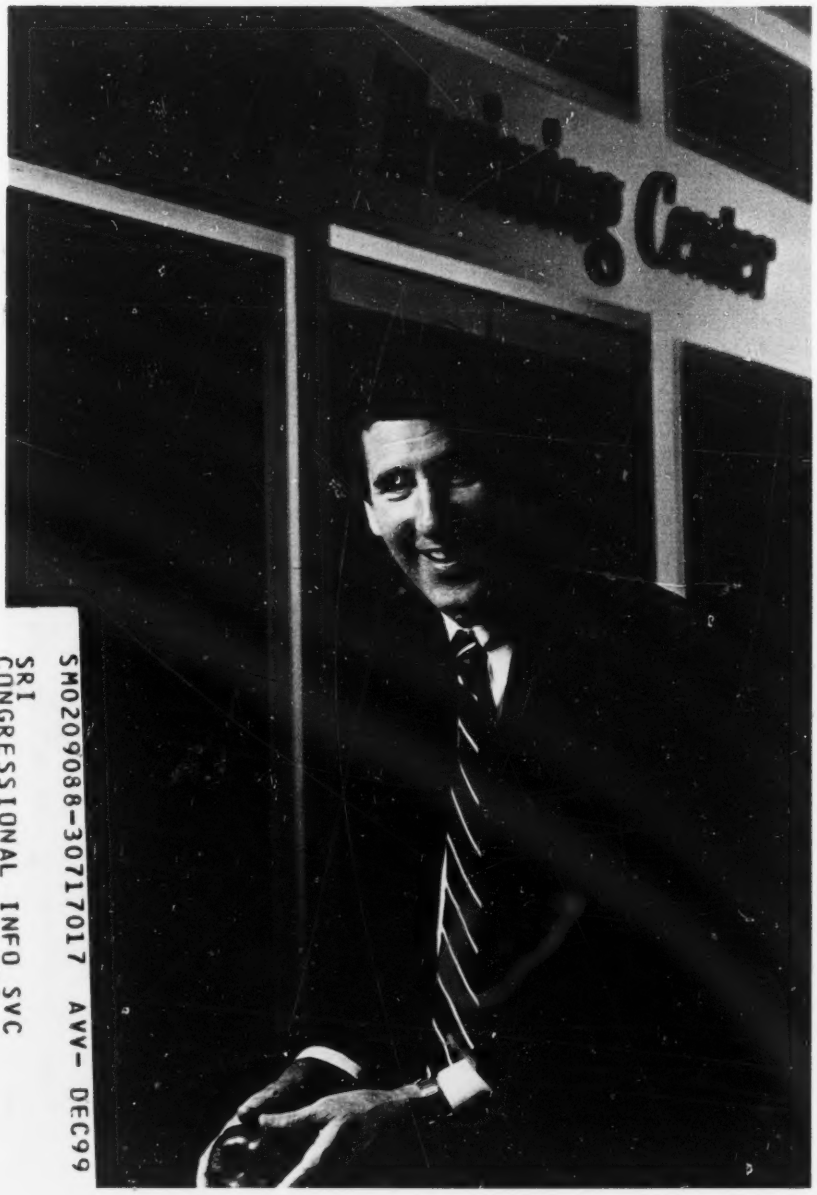

APPLE-POLISHING THE DEALER

Sales chief Bill Campbell fires his reps and hires 400 direct salespeople to woo PC retailers.

Page 47.

Incentives Special Section: Building for success

Marketers tell all about reps in exclusive survey

Supersalesman Nick DiBari looks at marketing vs. sales

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CONTENTS

1984 Business Executives' Dining Award ballot. Page 145.

SALES MANAGEMENT

24 Trade shows
Salespeople don't change light bulbs

25 New-product strategy
Panasonic's Americanized robots

25 Automated selling
Would you buy a car from this machine?

27 Reorganizations
T-Bar discovers marketing

28 Sales training
Richardson's "digestible" program

MARKETING MANAGEMENT

33 The patriotic sell
America's O.K. logo may not be

34 Start-up selling
Rte. 128 vs. Silicon Valley

39 Advertising
Their first hurrah

40 Sales promotions
The big draw at Westin hotels in Texas

41 S&MM's Survey—Part II
Survey's Zip Code section a big hit

FEATURES

51 Marketing vs. sales! Is there really a difference?
Nick DiBari derides the separation of sales and marketing.

54 Marion Labs gets cracking with calcium
Marion Labs pursues consumers to keep the lead in the suddenly hot battle to sell calcium supplements.

60 What marketers love and hate about their manufacturers' reps
S&MM readers who use reps often are satisfied with them—and often aren't. Reps, meanwhile, say they're frequently overburdened.

66 Programming the mind for selling
Cybernetic selling guru Paul G. Thomas defends the canned presentation as the "only" effective way to get the sale.

85 Make your product catalogue user-friendly
Here's a step-by-step guide to ensure that your catalogue makes it simple for the customer to find what he wants to buy.

COVER: Apple Computer's new approach to selling its personal computers calls for a direct sales force with retail selling know-how instead of computer expertise. Page 47.

SPECIAL SECTION

91 Incentives: Building for success
- Getting a kick from experience
- Off and running at Northern Air Freight
- A shopper's guide to incentive travellers checks
- Let's hear it for recognition!
- How we match incentives to the sales force
- The right stuff for Pierce National
- Does your incentive program work?

NEWSLETTERS

44 Industrial newsletter
193 International newsletter
43 Marketing newsletter

DEPARTMENTS

199 Advertisers' index
180 Books
89 Changes in the news
152 Computer in sales & marketing
28 Corporate travel
21 Demographics in action
6 Editor's call report
161 Ideas you can use
16 Jaundiced eye
12 Letters to S&MM
88 Marketers, et cetera
166 Meetings
194 On the road
176 Reader's postscript
30 S&MM Predicts
36 S&MM Salesgraph
18 S&MM Viewpoint
196 Sales mart
174 Sales strategies
202 Significant trends
205 Worth writing for

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will focus on benefits gained in day-to-day operations.

Each company has its own criteria for narrowing the prospect search. IOS marketing vice president Joseph Adler looks for companies with at least five of seven characteristics. Chief among them, he

IOS's Adler stages direct attack.

says, are "a sales force of a certain size, mostly direct sales, broadly dispersed sales reps, and participation in a growing and competitive market." Envoy sales and marketing vice president Robert Warn concentrates "on 12 industries we have determined, through preliminary research on sales problems, that should be interested in our product. These include food, chemicals, and pharmaceuticals."

Quick payback

At IOS, the sales cycle involves three phases. "First, we sell the concept," Adler says. "Second, if the prospect accepts it, our applications specialists spend two or three days with the salespeople to see how they operate and locate their communications and management problems. Finally, based on that, we submit a needs analysis, possible configuration, and a proposal."

To encourage acceptance, Envoy tries to interest prospects in a pilot program. "An organization with 200 to 400 salespeople," Stofer notes, "can set aside a branch office with 20 reps, say. Using a workstation and three or four applications packages under a six-month rental program, they can get an idea of the quick payback they will receive."

The companies also differ in their purchase options. IOS sells a turnkey system, consisting of lap-top and central computers of its own manufacture, which must be bought as a complete package. In contrast, Envoy lets the prospect pick and choose among various pieces of hardware and software, which consists of a Gavilan lap-top (it may eventually offer a model from Hewlett-Packard and other vendors), a Digital Equipment Corp. VAX mini, and 11 software modules, including Sales File, Sales Plan, and Sales Report.

The rival systems come with rich price tags. Adler says his system averages out to $5,000-$7,000 per salesperson-user. Stofer quotes $400 per user per month for a 100-person sales force. S&MM

S&MM SALESGRAPH

Harbinger of a merry Christmas

While consumer-spending increases in this year's second half will be hard put to match the first half's zesty pace, they'll be robust enough for most marketers to meet their annual sales goals. Sales of high-ticket items, a sensitive barometer of consumer sentiment, especially were strongly upbeat in the year's first six months. It's a trend likely to continue through Christmas.

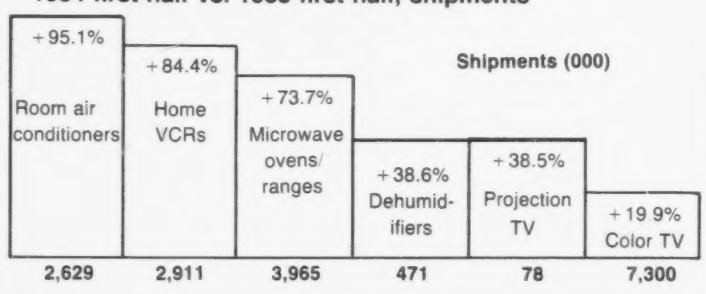
During the January through June period, marketers of major home appliances shipped 20.35 million units, 32% more than in the year-ago period. As impressive as that achievement is, it pales when one considers the explosive 84% surge in sales reported by marketers of home videocassette recorders (VCRs), who shipped 2.9 million units.

What makes these performances all the more remarkable is that they took place in the face of constantly rising interest rates, defying the conventional wisdom that says consumers react to higher rates by postponing purchases of high-ticket items. While higher interest rates certainly "dampen" buying by consumers, they were not sufficient enough to overcome other factors at work in the January through June period, such as hundreds of thousands of new jobs generated each month, steady increases in real purchasing power, and a low-level inflation rate which made prices more attractive.

Chemical Bank assistant vice president Karen Wasserman notes that higher interest rates have their sunny side: They boost the income

This year's hot high-ticket items

1984 first half vs. 1983 first half, shipments



Note: Factory shipments for room air conditioners, microwave ovens ranges, dehumidifiers; sales to retailers for home VCRs, projection TV, color TV.

Sources: Assn. of Home Appliance Manufacturers, Electronic Industries Assn.
© Sales & Marketing Management.

consumers derive from their bank deposits and money market funds. Consumer economist Susan M. Sterne thinks the buoyant sales reflect deeper changes taking place. "The lessons of the 1970s have created a new breed of consumers for the 1980s," she says. "The consumer is now able to force lower inflation through rapid flexibility in spending habits when confronted with price increases."

ADVERTISING

Their first hurrah

Nearly every celebrity worth his or her publicist's claims, and many who aren't, has been signed to endorse somebody's product. A major exception has been politicians, perhaps because the next scandal could be just around the corner.

But in the nation's capital, some lawmakers are lending their names to companies' print media campaigns. Hamburger Hamlet, a Washington, DC, restaurant chain, is using a testimonial about it from congressman Stan Parris (R-VA), in which he declares, "The Hamlet is a delicate mixture of ambiance and fun. I enjoy eating in an atmosphere that isn't dull . . . my favorite dish? Their hamburger of course!" The chain plans another ad using another politician next month. The Source, a McLean, VA, telecomputing company, proudly announces in its ads that one of its customers is Sen. Howard Baker (R-TN).

In both cases, the lawmakers were known to be users of the products. Both companies are more than satisfied with the results of having a

Congressman Parris Loves Hamburger Hamlet
The Honorable Stan Parris
Congress of the United States (8th District, Virginia)
"The Hamlet is a delicate mixture of ambiance and fun. I enjoy eating in an atmosphere that isn't dull . . . my favorite dish? Their hamburger of course!"
Hamburger Hamlet
Georgetown
Chevy Chase
Bethesda

Congressman Stan Parris takes a stand for his favorite hamburger maker.

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What marketers love and hate about their manufacturers' reps

An S&MM survey shows marketers are not getting the most they can from reps. Reps say one reason is they're burdened with excessive demands.

By EARL HITCHCOCK
President
Earl B. Hitchcock
& Associates

It's a sad fact: Far too many companies are dissatisfied with their independent sales reps and their distributors.

In a recent survey conducted by the editors of S&MM, 200 respondents gave their frank opinions of reps and distributors. One of the most disturbing results was that almost 40% of the respondents say they are dissatisfied with their reps—for reasons that range from their sales results to lack of territory coverage—and two-thirds are either totally or partially unhappy with their distributors.

The other side of the coin is that more than 60% of those who replied are satisfied with their rep sales organizations. It's obvious that a majority of these companies are either making more effective use of their reps or they're less demanding than the other 40%.

The trend toward using independents picked up substantially during the recession of 1982–83, in part because of the necessity for reducing field sales costs. By now it's estimated that 45,000 to 50,000 U.S. manufacturers, plus an unknown number of foreign suppliers, are using reps. A substantial number of these also use independent distributors; add to that a third group that uses distributors supported by their own field personnel.

At the same time, reps have increased the quality and professionalism of their work enormously. Supported by such strong professional organizations as the Manufacturers' Agents National Assn. (MANA) and the Electronic Representatives Assn. (ERA), many of them have built stable, well-managed businesses that serve their principals as well as do company-owned sales organizations (in some cases, even better).

'The relationship between company and rep is a partnership.'

Then why are so many companies unhappy? Many of the respondents feel that their reps spend too little time on their products. Others are convinced that reps do not satisfactorily generate new business. But the strongest complaint is with their overall sales results.

These comments support the opinion held by one supplier (with a highly successful group of reps) who said: "Too many of us expect the rep to do all the work in return for his commission."

Manufacturers with the greatest success records in dealing with reps also tend to support this point of view. Fisher Controls, a wholly owned subsidiary of Monsanto, has developed one of the most successful rep organizations in the instruments industry. Fisher is a $600 million company and depends completely on its reps for field sales.

Its confidence is born from the care and attention devoted to them. For instance, when a territorial opening occurs, a fairly rare event in itself, Fisher prefers to offer the position to a candidate from within the company's independent rep group. He (or she) is assisted in getting started, provided with training help, and given heavy support from the factory.

When a rep principal approaches retirement time, he is encouraged to plan for an orderly succession with the company's help. In addition, all reps attend an annual three-day sales conference and, periodically during the year, sales schools on specific subjects held at North American headquarters in Marshalltown, IA.

In return for all this help, Fisher insists that reps handle no other

How S&MM's survey respondents voted

(Base: 200 replies. Following figures reflect actual number of respondents.)

Which kinds of independent sales forces do you use?

Non-stocking reps	85
Stocking reps	30
Distributors	57
Electronic distributors	8
Fluid-power distributors	4

Note: Some respondents use more than one kind of outside sales force.

If you are dissatisfied with your reps, why?

Overall sales results	29
Amount of time spent on your products	24
Knowledge of your market	9
Technical ability	15
Followup on leads	11
Rep has too many lines	15
Territory coverage	9
Generating new business	25
Sales promotion	6
Communication	14

Some respondents cited more than one "dissatisfaction."

If you use distributors, are you satisfied with their performances?

Yes	19
No	13
Partially	33

If not, why?

Inventory management	18
Competitive lines	17
Inside sales force	12
Outside sales force	13
Product knowledge	33
Service capability	9
Market coverage	16

Generally speaking, are you satisfied with the performance of your reps?

Yes	66
No	39

Note: Not all respondents replied.

Which of the following do you consider the most important to provide to your reps?

Rank	Sales training	Product training	Sales literature	Field visits	Regular communication	Performance evaluation	Periodic sales meetings	Sales promotions	Other
1	24	68	10	17	34	6	1	5	3
2	20	39	21	23	21	5	9	9	3
3	16	13	24	32	30	15	10	14	3
4	13	15	25	34	22	13	15	13	2
5	12	6	27	22	15	28	31	31	2
6	10	3	25	15	17	15	36	21	0
7	14	6	16	11	11	29	25	28	1
8	18	2	10	10	5	24	18	21	3
9	16	22	9	5	12	10	5	9	3

engineered products which require application engineering and quotation. They are free to take on accessory products, such as solenoid valves and tube fittings, which fit the market they serve.

Dan Moody, Fisher's southeastern regional manager, who supervises 10 reps, explains: "The relationship between the company and the rep is a partnership between equals, and we handle the business accordingly."

Unstinting support

Giving reps the support they require is the philosophy and the practice of Stan Harris, manager of marketing administration for Joy Manufacturing's Air Moving Products Div., New Philadelphia, OH. Joy turned to reps in 1965; today it has 80 independent sales groups selling products to the heating, ventilating, and air conditioning market.

Harris believes that Joy's success with reps is because of the company's unstinting support for its salespeople, which begins when a rep is appointed. The rep's entire sales team is brought to the factory for a two-day training session. This backup is carried on in the field by a five-man group of regional managers who provide the reps in their areas with commercial and technical consultation. They are also responsible for such additional activities as field training, hiring, etc.

"We believe that we're faced with a two-edged competitive situation in the field. On the one hand, we compete with other fan manufacturers, but we also compete with his other principals for the rep's time," Harris explains. "If we don't make it easy for him to make money on our products, Joy becomes a sideline to him and we lose his time and effort."

The fact that larger companies are turning to reps and distributors to cover specific market segments or outlying territories is additional testimony to the soundness of the manufacturers' rep approach to selling. Such blue chip-companies as ACF Industries, Aeroquip, Beckman Instruments, Dow Corning, W.R. Grace, and Dresser Industries all use reps in suitable market areas.

If reps are such a bonanza, why do we hear so many complaints?

Based on the S&MM survey and the evidence of such successful companies as Fisher and Joy, it seems that those who are dissatisfied have failed to grasp the essential nature of the independent sales rep.

The rep is an individual so confident of his own sales ability that he's built an independent business with that as his only product. His survival as a small business depends on turning that talent into a living for himself and his associates. With years of experience, he's learned to trust the suppliers who make it easy to sell their products, thus maximizing the return on his investment of time.

'If we don't make it easy for him to make money . . . we become a sideline.'

How can a manufacturer make the best use of such a pure selling machine?

Based on the experience of successful companies, the first step is to choose very carefully. There are an estimated 65,000 to 70,000 reps in the U.S. Given the admitted difficulties of operating such a business, it is not surprising that some are more successful than others.

When a manufacturer entrusts its products and a territory to a new rep, it surely wants to avoid the one who is struggling to stay in business, or who shuffles product lines like cards, or who has just lost his two best salespeople. Yet marketing managers often treat the recruiting job in a casual way. Reps are appointed by telephone, at trade shows, or during a factory visit apparently with the hope that something will work out.

Reps often accept lines in the same spirit. The result guarantees rapid turnover, unhappy customers, and another disillusioned supplier.

Bob Turetsky of Castelli Furniture, a Bohemia, NY, office furniture manufacturer, looks for promising rep candidates at trade shows. He also keeps a log of qualified reps in each territory. And if necessary, he places blind ads in trade papers to ensure a broad selection. But he visits each candidate to inspect his office and facilities and, finally, he checks with customers in the territory to get their evaluations.

Turetsky looks for the visible capability of a rep to manage his own business well. He explains, "We expect each rep to act as our territory manager. To do that we offer substantial incentives based on market share and our own product-mix objectives. Each rep knows that if he has a good year, next year's incentive won't be an inflated, unreachable number."

Stan Harris at Joy Manufacturing spoke for knowledgeable marketers when he referred to the competition between principals. In fact, those marketing managers who complain that reps "don't spend enough time on our products" or "aren't generating new business" are really losing the competitive battle between principals.

The 'temptation'

Look at it from the rep's standpoint. Typically, he sells at least five different product lines. If he divides his time scrupulously between those, each principal can expect no more than 20% of each salesperson's time. But if some principals make their product lines easier to sell via national advertising, a generous supply of hot sales leads, and strong factory support, the temptation to concentrate on

those products is hard to resist. Such companies simply offer a greater return on the rep's investment in time.

This also makes it clear why reps try to avoid such tasks as missionary selling, market research, finding new markets, and credit and collection work.

The marketing manager who is successful at getting the rep's attention and keeping it soon finds he has another advantage. Once he becomes responsible for a sizable share of the rep's business, 25% or more, he can make even stronger demands for time and attention. Most reps can ill afford to lose such a sizable chunk of their commissions and consequently become gradually more dependent on their most productive principals.

Following such a policy has given Kohinoor, Inc., Bloomsbury, NJ, a manufacturer of drawing pencils, a highly effective combination of direct salespeople and reps. Currently, Dick La Barre, manager of sales administration, has eight "master" reps, some of whom have sub-reps under them. La Barre has no recruiting problems: all eight master reps have been selling for Kohinoor for 20 to 30 years. That longevity La Barre credits to a policy of treating his reps precisely as the company's direct salespeople are treated, part of which is including them in national incentive program built around cash awards.

In most instances, a manufacturers' rep sells a group of related products in a designated territory. He usually has exclusive rights to the territory and works on commission.

A distributor, however, buys and resells a group of related products. His territory cannot be legally restricted, but he generally concentrates on a specific territory. Historically, the rep seldom carried stock but the distributor carried a wide variety of commodity-type products in stock. His primary objective was to keep his inventory moving, and he seldom pushed individual products or brand names.

As marketing strategies have grown more complex, these distinctions have become blurred. To improve their market coverage (and fatten their margins) some reps have begun to carry stock. And some distributors have trimmed their inventories and begun to concentrate on a limited group of products and a smaller market segment. A good example: computer stores.

Stocking reps and specialty distributors have begun to fill the gap and the marketing manager is suddenly being offered interesting new ways to navigate the distribution channel. If his primary need is for field sales coverage, the commissioned rep will fill the bill. If his customers require quick delivery of standard parts, he can turn to stocking reps or specialty distributors. And if he sells commodity-type products, he can use an industrial distributor, or an automotive parts distributor, or an electrical appliance distributor, etc. Here he must bear in mind that the distributor's task is to carry a broad range of stock for the convenience of his customers. The manufacturer is responsible for field sales and distributor supervision.

Whichever type of organization a marketer picks, the keys to success are clearly indicated, based on responses to the survey (see tables) and interviews with marketing executives.

Foremost is careful, painstaking recruiting. Tim O'Herron, manager of sprinkler contractor sales, Automatic Sprinkler Corp., Broadview Heights, OH, has taken two years to build a new organization of six stocking and three non-stocking reps. He explains that that pace was as fast as the factory could absorb the additional workload and as quickly as he could recruit and train people.

Also vital: Win the battle for a share of the rep's time by offering him an attractive, competitively priced product line, supported by quality inquiries and extensive product training.

Another suggestion for marketing managers struggling to harness their rep or distributor organizations: The independents can be highly efficient selling machines; your job is to give them all the tools they need, free them of distractions, and then get ready to write orders.

Earl Hitchcock *is a marketing consultant who specializes in creating sales organizations for manufacturers that use independent reps and distributors. His company can be contacted by writing to P.O. Box 296, Midland Park, NJ 07432.*

Dialing for reps

Manufacturers are turning increasingly to telemarketing (S&MM, June 4) as a way of saving their reps from the expensive task of screening and following up sales leads.

Trained communicators, supported by a computer data base, can quickly and effectively screen sales leads generated by trade advertising, product publicity, or trade shows. The resulting high-quality leads are forwarded immediately to the appropriate rep.

Reps are so pleased by this kind of attention—and the results obtained from the hot leads—they devote much of the time they save to those principals who supply the telemarketing service. At any rate, that's the hope.

Sales compensation: It's unfair

The existence of salespeople with college training, especially important in today's more complex selling environment, is noted in a new Census Bureau report on occupations, based upon the 1980 Population Census. (Yes, dear reader, four years after the event, the bureau is still churning out the results.) More than three-fifths, or 61.7%, of all salesmen and almost half, 48.6%, of saleswomen have one or more years of college, the government report shows. Compared to all workers, the proportion of salesmen (retail sales clerks, male or female, were not a part of the study) with a four-year college degree is two and a half times as great, 25.7% vs. 10.4%. Among saleswomen, the ratio is 17.6% vs. 9.4%.

The government's findings can be viewed as encouraging—and also downright dispiriting. In the former category, they show that education is narrowing the much-criticized income gap affecting women. Among all-year-round, full-time workers, women's earnings (based on the government's figures for 1979) are only 55.4% of men's earnings. In selling, the ratio edges up to 56.7%. The more formal education a saleswomen has, the narrower the gap. Still, saleswomen who have graduated from college only earn 61.9% of what all salesmen earn, and, if they go on to graduate school, 62.7%. (The saleswoman with five or more years of college earns almost one-third more than all saleswomen, 32.1%, while a salesman with such a background makes only one-fifth more than all salesmen, 19.4%).

The advantages are even greater for minorities. Black salesmen with five or more years of college earn 25.4% more than all black salesmen, and similarly educated Hispanic salesmen 28.7% more than all Hispanic salesmen. Also, minority saleswomen suffer less income disparity than their white counterparts. Among all salespeople with a four-year college degree, black saleswomen earn 78.4% of what black salesmen earn, Hispanic saleswomen 69.5% of what Hispanic salesmen earn. The comparative ratio for white saleswomen is 61.8%.

All of the above is in relative terms. In absolute terms—that is, the actual dollars earned—income differentials are disheartening. Mean earnings of a saleswoman who has been in college for five years or more come to $17,845, which, the Census Bureau notes, is less than what is earned by a salesman who has only an elementary school education, $17,988. The dramatic disparity in earnings existing in selling shows itself in another finding by the government: Among *all* women workers, only those with this higher level of education earn more than men who have completed only one to three years of high school. Is there a trend ahead of class action suits initiated by salespeople citing the issue, proven in other fields, of "comparable worth"?

Salespeople and what they earn: The importance of gender and color

(Earnings reported are for 1979)

Number			Earnings	
Male	Female		Male	Female
897,707	97,982	Total	$23,842	$13,507
869,021	91,402	White	24,038	13,580
16,439	4,062	Black	17,288	12,531
20,608	3,340	Hispanic	18,259	11,529

Note: Based on Census Bureau definition "Sales representatives, commodities, except retail."
Source: Census Bureau, *Earnings by Occupation and Education*, PC80-2-8B.
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